

U.S. Department of Labor Employment and Training Administration Washington, D.C. 20210	CLASSIFICATION WOTC/WtWTC
	CORRESPONDENCE SYMBOL OWS
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TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. XX-XX

TO: : ALL STATE WORKFORCE AGENCIES
ALL STATE WORKER ADJUSTMENT LIAISONS
ALL ONE-STOP CENTER SYSTEM LEADS

FROM : EMILY STOVER DeROCCO
Assistant Secretary

SUBJECT: Planning Guidelines for Employment Service (ES)
Fiscal Year 2002 Cost Reimbursable Grants for the
Work Opportunity Tax Credit (WOTC) Program and the
Welfare-to-Work Tax Credit (WtWTC).

1. Purpose. To provide planning guidance for the WOTC Program and the WtW tax credit under the Wagner-Peyser Act Annual Funding Agreement.
2. References. The Wagner-Peyser Act, Section 7(d); the Small Business Job Protection Act of 1996 (P.L. 104-188); the Taxpayer Relief Act of 1997 (P.L. 105-34); the Tax and Trade Relief Extension Act of 1998 (P.L. 105-277); the Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106-170); the Job Creation and Worker Assistance Act of 2002, (P.L. 107-147); ETA Handbook 408, Second Edition, November 1998; 29 CFR Parts 93, 96, 97, 98, and 99; and OMB Circular A-87.
3. Background. On March 9, 2002, President Bush signed into law, the *Job Creation and Worker Assistance Act of 2002*, -- the "Act" for purposes of this document-- (P.L. 107-147). This Act reauthorizes the WOTC Program and the WtW Tax Credit for a 24-month period, beginning January 1, 2002 and ending December 31, 2003. The reauthorization is retroactive to the credits' expiration date, December 31, 2001.
4. Planning Process. The national office is providing planning instructions and guidance that addresses program delivery between October 1, 2001 and December 31, 2003, and planning instructions for the preparation of a 27-month plan for the Work Opportunity and Welfare-to-Work tax credits. State Workforce Agencies (SWAs) are responsible for administering

both tax credits, including the certification process and reporting on program results on a quarterly basis. Pursuant

to Training and Employment Information Notice No. 24-99, grant officer authority for the ES Cost Reimbursable Grants continues to be a responsibility of the national office for the WOTC and the WtW tax credits.

5. Allocation Formula. The ES National Activities spending plan included \$21,000,000 for the WOTC program and the WtW Tax Credit. Of this total, \$546,000 was withheld to pay estimated WOTC/WtW postage costs. Of the remaining \$20,454,000, \$20,000 will be allotted to the Virgin Islands and the balance, \$20,434,000 distributed based on a \$64,000 minimum allotment and a 95% stop-loss/120% stop-gain from the FY 2002 allotment share percentage, based on a formula as follows:
 - (1) 50% is allocated based on each State's relative share of total certifications issued for the WOTC and for the WtW tax credit;
 - (2) 30% is allocated based on each State's relative share of the Civilian Labor Force (CLF); and
 - (3) 20% is allocated based on each State's relative share of the adult recipients of Temporary Assistance for Needy Families (TANF).

The data utilized for these factors reflect actual certifications reported for FY 2001, CY 2000 CLF averages, and adult recipients of TANF for FY 2000.

6. Funding. Although the plan will cover the three-month period from October 1, 2001 through December 31, 2001 and the entire 24-month reauthorization period, funding is dependant on Congressional budget appropriations. Funding for the period October 1, 2001 through September 30, 2002 is a result of budget appropriations contained in the FY 2002 Labor-HHS-Education Appropriations Act. SWAs are advised that funding for FY 2003 (October 1, 2002 through September 30, 2003.) and the first quarter of FY 2004 (October 1, 2003 through December 31, 2003) will be contingent on future Congressional budget appropriation action. Nothing in this planning guidance should be interpreted or construed to be a guarantee of out-year funding beyond September 30, 2002.

7. General Administration. Cost Reimbursable Grants are issued to the States for the administration and implementation of the Work Opportunity Tax Credit Program and the Welfare-to-Work Tax Credit. Regional offices are responsible for field level reviews of the ES grants. This includes review and approval of State plans, analysis of expenditures and performance data, and on-site reviews. States are expected to administer WOTC/WtW funds in accordance with the Act and applicable regulations, and the terms and conditions of the Wagner-Peyser Act Annual Funding Agreement, which includes administrative requirements and cost principles of Federal Regulations at 29 CFR Part 97 and OMB Circular A-87.

Further, programs must also be administered in accordance with the policy and procedure guidance set forth in the November 1998, Second Edition of ETA Handbook 408. Current ES Regulations at 20 CFR 658.400 Subpart E cover the complaint and appeals procedures. Other applicable regulatory provisions are incorporated in the grant plan Statement of Work (See Attachment III).

8. Reporting. States are to plan for total expenditures (exclusive of "carry in" funds) by calendar quarter. Previous year fund balances will remain in the existing grant and should be expended under the current ETA national office and State Master Agreement. State Workforce Agencies will report quarterly expenditures by direct data entry of Standard Form 269 (SF-269) into the Web-based Enterprise Information Management System (EIMS). Quarterly financial reports are due within 30 days following the end of each quarter, per 29 CFR 97.41(b)(4). Timely submission of these reports is extremely important to ensure proper accounting of funds. Regional offices will conduct a financial reconciliation at the end of the fiscal year. Questions regarding financial management and reporting for FY 2002 or for any existing prior year fund balances should be addressed to the appropriate Regional Office.

The Government Paperwork Elimination Act (GPEA) of 1998 (P.L. 105-277) requires that, when practicable, Federal agencies use electronic forms, electronic filing, and electronic signatures to conduct official business with the public by October 2003. During the period covered by this plan quarterly program activity reports will be transferred to the ETA Enterprise Information Management System (EIMS). The EIMS is a web-based system that will allow states to meet the reporting responsibilities in a more efficient manner while reducing the reporting burden on the states, regional and national offices. States will have the choice of manually entering or electronically uploading the required quarterly Report No. 1, Conditional Certifications Issued, Report No. 2 Certification Workload and Characteristics of Certified Individuals, and Report No. 3 Verification Results to the EIMS WOTC and WtWTC Report sub-system. Instructions, user's manuals, and training will be provided prior to implementation, which is targeted for the reports due 25 days after the end of the July 1, 2002 to September 20, 2002 quarter.

9. Grant and Plan Effective Date. Plans cover the 27-month period from the start of FY 2002, October 1, 2001 through December 31, 2003.

The reporting requirements for this TEGL are approved by OMB according to the Paperwork Reduction Act of 1995 under OMB approval No. 1205-0371 to expire xx/xx/xxxx. The respondent's obligations to reply to these requirements are Mandatory (PL

104-188). NOTE: Persons are not required to respond to this collection of information unless it displays a currently valid OMB control number.

10. Action Required. SWAs' Administrators are requested to:

- a. Immediately transmit this issuance to the appropriate State staff.
- b. Submit three (3) copies of the WOTC/WtWTC Plan to the appropriate regional office. Plans should be prepared in accordance with Attachments I, II, and III Grant Procedures, Allocation List, and Plan Narrative Instructions) and be submitted to the appropriate regional office 30 days after the issuance date. The Plan must include:

1. Transmittal Letter;
2. Application for Federal Assistance (SF 424);
3. Budget Expenditure Plan (SF 424 A - Section D only);
4. Plan Narrative: these plans should include activities that will be for the period October 1, 2002 through December 31, 2001 and the 24 months covered by the reauthorization of the WOTC and WtWTC program which ends December 31, 2003.

11. Inquiries. Program questions may be directed to your regional office contact person or to Carmen Ortiz (Office of Workforce Security, Division of USES/ALMIS) at (202) 693-2786. All questions regarding grant and financial issues should be directed to Gwendolyn Baron-Simms or E. Fred Tello (202) 693-3309, or (202) 693-3333 respectively.

12. Attachments.

- I. Grant Procedures
- II. Allocations for FY 2001
- III. WOTC/WtWTC Plan Narrative Instructions

Grant Procedures

A. Grant Agreements. The ETA national office has executed new Wagner-Peyser Act, Annual Funding Agreements with each State, to include both the base grant and cost reimbursable grant funds for PY 2001 and FY 2002. The Agreement includes a Standard Assurances and Certifications package to encompass most PY 2001/ FY 2002 requirements. The national office Grant Officer based on regional office approval will issue a Notice of Obligation (NOO) authority documents.

B. Annual Plan. The WOTC/WtWTC Plan must include a transmittal letter, an Application for Federal Assistance (SF-424), a Budget Expenditure Plan (SF-424 A, Section D only), and a Plan Narrative. Negotiations between the Grantee and the regional office will determine the acceptability of the Annual Plan.

- 1) Plans should cover a period of twenty seven (27) months from the start of FY 2002, i.e. October 1, 2001 through December 31, 2003.
- 2) States must submit three (3) copies of the FY 2002 WOTC/WtWTC Annual Plan to the appropriate regional office. Plans should be submitted by **MMDD02**. Please contact your regional office representative if there is a need for additional time.

Plans should be prepared in accordance with Attachments I, II, and III (Grant Procedures, Allocations, and Plan Narrative Instructions) and be submitted to the appropriate regional office.

- 3) Regional offices will coordinate the review of plans and negotiate work plans with the States. Each State is to prepare a plan, which includes a description of the activities to be conducted in accordance with the information contained in Attachment III.

C. FY 2002 Modifications. The regional office and the State may jointly modify the Annual Plan during the program year subject to the approval of the national office Grant Officer. The plan modification must include a transmittal letter, a revised plan narrative, and a quarterly spending plan (i.e., SF-424 A, Section D only). Regional offices are responsible for coordinating both funding adjustments and Annual Plan modifications. They will have the authority to recommend fund adjustments where a State is not spending at agreed upon levels. When an adjustment is necessary, a bilateral modification may be issued by the ETA Grant Officer.

In the event that the Secretary of Labor may be required by future legislation to carry out other responsibilities not anticipated in the Annual Plan, the States will be requested to submit a modification to the Annual Plan in order to carry out these additional duties.

D. Financial Reconciliation. After the end of the grant period, a financial reconciliation procedure will be conducted by the regional office to reconcile accounting records maintained by the State with the Department's original accounts.

U. S. Department of Labor
Employment and Training Administration
Work Opportunity Tax Credit (WOTC)
FY 2002 Funding Balance for April - September FY 2002

	State	Balance
	Total	\$10,255,024
3	Alabama.....	168,190
6	Alaska.....	32,088
6	Arizona.....	157,918
4	Arkansas.....	183,527
6	California.....	1,184,482
4	Colorado.....	98,552
1	Connecticut.....	152,454
2	Delaware.....	33,080
2	Dist of Columbia.....	40,391
3	Florida.....	363,556
3	Georgia.....	295,393
6	Hawaii.....	40,391
6	Idaho.....	32,088
5	Illinois.....	537,717
5	Indiana.....	198,663
5	Iowa.....	117,257
5	Kansas.....	75,421
3	Kentucky.....	153,244
4	Louisiana.....	257,296
1	Maine.....	37,057
2	Maryland.....	249,219
1	Massachusetts.....	224,342
5	Michigan.....	366,455
5	Minnesota.....	165,181
3	Mississippi.....	87,315
5	Missouri.....	247,485
4	Montana.....	32,088
5	Nebraska.....	65,057
6	Nevada.....	54,965
1	New Hampshire.....	40,391
1	New Jersey.....	302,879
4	New Mexico.....	82,504
1	New York.....	651,117
3	North Carolina.....	271,200
4	North Dakota.....	32,088
5	Ohio.....	475,673
4	Oklahoma.....	82,375
6	Oregon.....	121,691
2	Pennsylvania.....	524,997
6	Puerto Rico.....	61,250
1	Rhode Island.....	40,391
3	South Carolina.....	106,093
4	South Dakota.....	32,088
3	Tennessee.....	255,008
4	Texas.....	647,111
4	Utah.....	45,288
1	Vermont.....	32,088
2	Virginia.....	240,660
6	Washington.....	243,573
2	West Virginia.....	71,572
5	Wisconsin.....	202,000
4	Wyoming.....	32,088
1	Virgin Islands.....	10,027

**Work Opportunity Tax Credit (WOTC) Program and Welfare-to-Work
Tax Credit (WtWTC)
Plan Narrative Instructions**

The reauthorization of the WOTC and WtWTC program for an additional two years extends the availability of a highly successful business service tool to stimulate economic recovery and growth. Plan narratives should focus on how the tax credits will be integrated within the state's business outreach and employer service programs.

Statement of Work. SWAs will submit detailed narrative descriptions of their plans for carrying out the following functions:

1. Determining eligibility of individuals as members of targeted groups, on a timely basis, and *performing a quality review by a second staff person for each determination within 48 hours,*
2. Issuing employer certifications, denials, or notices of invalidation for tax credits on a timely basis and in accordance with the policies and procedures set forth in the second edition of ETA Handbook 408,
3. Developing working agreements with partner agencies in the One-Stop Service Delivery system and coordinating efforts to promote the WOTC and the WtW tax credits to employers and job seekers and other WIA partners,
4. Establishing and implementing an Appeals' Resolution and Policy Clarification System in accordance with the guidelines provided in the second edition of ETA Handbook 408 (Chapter VIII, Section F, pp VIII-4-8),
5. Establishing and maintaining appropriate forms review, record keeping, and reporting capability related to the orderly management of WOTC/WtWTC certification requests;
6. Establishing and maintaining an orderly system for regularly verifying the eligibility of a random sample of individuals certified under the WOTC/WtWTC programs, and initiating effective corrective action when appropriate as indicated by results of such activities;
7. Negotiating formal cooperative agreements with Local Workforce Investment Areas under the Workforce Investment Act (WIA), State Vocational Rehabilitation agencies, and other State and local agencies and organizations for the purposes of issuing Conditional Certifications where appropriate, and/or augmenting WOTC/WtWTC outreach activities;
8. Negotiating formal cooperative agreements with appropriate State agencies, including the Departments of Health and Human Services, Agriculture and Housing and Urban Development to expedite verification of information provided to the State Workforce Agencies by participating target group members;
9. Training state and Participating Agency staff, and providing monitoring and technical assistance to these agencies, as

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appropriate, for conducting target group, preliminary eligibility determinations and issuing Conditional Certifications; and

10. Cooperating with employment and training organizations already working with the private sector, such as Job Corps Centers, veterans organizations, employer committees, and Workforce Investment Boards, to inform employers about the tax benefits to be derived from participation and the eligibility requirements under the WOTC and/or the WtWTC.

By Entering Into This Agreement, The State Agrees That:

1. Provisions of the Internal Revenue Code Section 51 and 51A, as amended, must be adhered to in conducting the program. By law, the State Workforce Agencies are designated as the only Agencies that can issue a Certification. The SWAs can enter into Cooperative Agreements with certain Participating Agencies and together provide other WOTC/WtWTC related program services.

2. Conditions and standards of performance for administration and operation of the program shall be guided by the second edition of ETA Handbook No. 408 for the Work Opportunity Tax Credit program and the Welfare-to-Work Tax Credit. The state shall maintain a verification and quality control program in accordance with Handbook guidance.

3. Fund utilization will be reviewed against the quarterly spending plan and when expenditures are substantially below plan, ETA may de-obligate funds for redistribution.